

Message Text

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DRAFTED BY EA/TB:RMGIBSON:MGH

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EA/EP:RIMUS (DRAFT)

EB/IFD/DDF:FTHOMAS (DRAFT)

EA/TB:JJHELBLE

EXIM:HTURK/CHOUSTON (DRAFT)

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FM SECSTATE WASHDC

TO AMEMBASSY RANGOON

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E.O. 11652: N/A

TAGS: EFIN, BM

SUBJECT: EXIM POLICY TOWARD BURMA

REF: RANGOON 3088

SUMMARY: IN ADDITION TO FORWARDING YOUR VIEWS AS REQUESTED REFTTEL, WE HAVE TALKED WITH EXIM BANK PERSONNEL ABOUT THE BASIS FOR THEIR CAUTIOUS APPROACH TOWARD SUPPORTING TRANSACTIONS FOR BURMA. THE REASONS FOR BURMA'S LOW RATING ARE LARGELY ECONOMIC, TEMPERED BY CERTAIN POLITICAL CONSIDERATIONS. ON BALANCE IT APPEARS AS THOUGH THE BANK IS BEING EVEN-HANDED IN ITS APPLICATION OF BANKING CRITERIA IN BURMA'S CASE. END SUMMARY.

1. THE SAME CONSIDERATIONS WHICH HAVE MADE THE U.S.

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WARY OF FULL PARTICIPATION IN THE BURMA AID CONSORTIUM

HAVE ALSO INFLUENCED EXIM'S THINKING. WE HAVE, HOWEVER, CONVEYED YOUR VIEWS TO EXIM, AND ASKED THEM TO KEEP BURMA'S REPAYMENT RECORD IN MIND WHEN CONSIDERING BURMESE TRANSACTIONS. ON ITS PART EXIM, WHILE RECOGNIZING BURMA'S PAST PERFORMANCE IN MEETING INTERNATIONAL FINANCIAL OBLIGATIONS, IS CAUTIOUS ABOUT ITS ABILITY TO CONTINUE TO DO SO. THE BANK SEES BURMA'S ECONOMY AS SLIDING STEADILY DOWNHILL WITH NO PROSPECTS

FOR EFFICIENT MANAGEMENT ON THE HORIZON. FACTORS CONTRIBUTING TO THIS VIEW ARE:

A. AN EXTERNAL DEBT SERVICE RATIO OF OVER 20 (WELL INTO THE "CONCERN RANGE");

B. A STAGNATING PER CAPITA GNP (THIS PAST YEAR'S INCREASE AN EXCEPTION TO THE TREND);

C. VERY HIGH INFLATION;

D. VERY LOW FREE FOREIGN EXCHANGE RESERVES;

E. A BALANCE OF PAYMENTS HELD TOGETHER ONLY BY BORROWING; AND

F. GENERALLY VERY POOR ECONOMIC MANAGEMENT.

2. ACCORDING TO THE BANK, THIS DISCOURAGING ECONOMIC PICTURE IS NOT BRIGHTENED BY BURMA'S POLITICAL SITUATION--I.E. INSURGENCIES AND UNCERTAINTY OVER THE FUTURE.

3. WE AGREE FULLY, AS DOES EXIM BANK, THAT WE MUST AVOID AN UNJUSTIFIABLY NEGATIVE ECONOMIC POSTURE TOWARDS THE GUB. ON THE OTHER HAND, EXIM'S ATTITUDE IN BURMA'S CASE IS BASED UPON NORMAL BANKING CRITERIA RATHER THAN ANY NEGATIVE BIAS TOWARDS BURMA. ROBINSON

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